

Message Text

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PAGE 01 OTTAWA 01312 102236Z

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ACTION EB-07

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PASS CHAIRMAN INTERSTATE COMMERCE COMMISSION

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TAGS: EIND, ELTN, ETRD, CA

SUBJ: UNITED STATES RAIL REORGANIZATION

REF: OTTAWA 0731; HOLTON-O'CONNOR TELECON APRIL 8

1. CANADIAN EMBASSY REQUEST DISCUSS USRA PRELIMINARY SYSTEM PLAN WITH USG CAME UP DURING APR 8 MEETING WITH R.M. ALDWINCKLE, ADMINISTRATOR, CANADIAN SURFACE TRANSPORTATION ADMINISTRATIN, MINISTRY OF TRANSPORT (.95), AND ERNEST GILLIATT, ASSISTANT DIRECTOR, RAILWAY BRANCH, MOT. THEY INDICATED MOT HAS BECOME ACTIVELY SEIZED WITH QUESTION AS RESULT WASHINGTON EMBASSY INITIATIVES AND HAS HAD FIRST ROUND OF CONSULTATIONS WITH TWO MAIN CARRIERS. ALSO UNDERTAKING SECURE SHIPPER VIEWS. THEY POINTED OUT THAT US REORGANIZATION IS IMPORTANT TO CANADA SINCE OVER 20 PERCENT ALL CANADIAN RAIL TRAFFIC INTER-CHANGES WITH US LINES AND THAT THIS FIGURE IS CONSIDERABLY HIGHER EAST OF GREAT LAKES, AREA WHERE REORGANIZATION TO BE EFFECTED.

2. DIPLOMATIC NOTE FOLLOWING UP THAT OF LAST WEEK UNDER PREPARATION WITH VIEW TO PRESENTATION BY CANADIAN EMBASSY, PERHAPS IN WEEK OF APRIL 13. GILLIATT READ TCO EXCERPTS FROM FIRST DRAFT WHICH INDICATED

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PAGE 02 OTTAWA 01312 102236Z

GOC WISHES: (1) AN OPPORTUNITY FOR THE CANADIAN

RAILROADS (AS DISTINGUISHED FROM THEIR US SUBSIDIARIES) TO READ INTO THE US PUBLIC RECORD THEIR VIEWS ON THE PROPOSED REORGANIZATION; (2) THE OPPORTUNITY FOR A REPRESENTATIVE CANADIAN SHIPPER GROUP (PERHAPS ORGANIZED BY THE CANADIAN INDUSTRIAL TRAFFIC LEAGUE) TO PRESENT A JOINT BRIEF ON IMPLICATIONS FOR CANADIAN INDUSTRY, AND (3) THE OPPORTUNITY FOR GOVERNMENT-TO-GOVERNMENT CONSULTATION ON THE RESTRUCTURING OF THE SYSTEM SO THAT IT PROTECTS THE INTERESTS OF CANADIAN COMMERCE VIS-A-VIS U.S. COMMERCE.

3. FOLLOWING APRIL 8 PHONE CONVERSATION WITH HOLTON (EUR/CAN) TCO PASSED WORD TO ALDWINCKLE THAT USG INTENDED RESPOND INITIAL EMBASSY NOTE BY INVITING GOC GROUP TO APRIL 23 BRIEFING AND AGREEING RECEIVE SUBSEQUENT WRITTEN BRIEF AND/OR ARRANGE FURTHER DISCUSSION ON QUESTION. MET WITH GILLIATT AGAIN MORNING APRIL 10 TO REVIEW SITUATION FURTHER. AT THAT TIME MOT HAD NO INFORMATION FROM EMBASSY WASHINGTON RE APRIL 23 DATE, BUT HE INDICATED GOC WOULD SEND FIVE ELEMENT TEAM CONSISTING OF ONE OR MORE REPRESENTATIVES OF EACH OF THE FOLLOWING ENTITIES: MINISTRY OF TRANSPORT, CANADIAN TRANSPORT COMMISSION, CANADIAN NATIONAL RAILWAYS, CP RAIL, AND SHIPPER INTERESTS.

4. GILLIATT AND TCO AGREED IT WAS PROBABLY TOO LATE TO MAKE ANY EFFECTIVE INPUT INTO ICC'S RAL SYSTEM PLANNING OFFICE COMMENTS ON USRA PRELIMINARY PLAN WHICH ARE SCHEDULED FOR PUBLICATION APRIL 27. OBJECTIVE WOULD BE INPUT RELEVANT USRA FINAL SYSTEM PLAN SCHEDULED FOR RELEASE JULY 26 AND PERHAPS FOR RSPO COMMENT ON THAT PLAN SCHEDULED FOR AUGUST 27. TCO, ON PERSONAL BASIS SUBJECT TO CORRECTION, SUGGESTED MAY 30 AS TARGET DATE FOR FIRST GOC WRITTEN SUBMISSION AND THIS APPEARED AGREEABLE.

5. GILLIATT GAVE TCO COPY SECOND DRAFT OF PROPOSED DIPLOMATIC NOTE BEING PREPARED FOR WASHINGTON AND THIS WAS SENT AIR POUCH APRIL 10 TO HOLTON. NOTE IS VERY UNEVEN FROM STYLISTIC VIEWPOINT AND HAS NOT BEEN DISCUSSED WITH EXTAFF WHIHC, ALONG WITH CN AND CP, WILL RECEIVE COPIES SHORTLY. LIMITED OFFICIAL USE

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PAGE 03 OTTAWA 01312 102236Z

DRAFT TAKES UP POINTS 1 AND 2 MENTIONED SECOND PARAGRAPH ABOVE, BUT DOES NOT REFER TO POINT 3. GILLIATT INDICATED SOME UNCERTAINTY DEVELOPED WITHIN MOT BETWEEN APRIL 8 AND 10 AS TO HOW BROADER DISCUSSIONS SHOULD BE PROPOSED. ON THE ONE HAND THERE IS A STRONG VIEW THAT THE TWO GOVERNMENTS NEED TO LOOK JOINTLY AT THE TOTAL RAIL SYSTEM IN NORTH AMERICA IN RELATION TO TRADE NEEDS. ON THE OTHER HAND, THEY DO NOT WANT THIS LONGER TERM OBJECTIVE TO

INTERFERE WITH THE MORE IMMEDIATE QUESTION OF THE USRA PROPOSALS, BUT ARE WONDERING WHETHER THE OUTCOME OF SERIOUS CONSULTATIONS ON THE TOTAL SYSTEM MIGHT RESULT IN SOME UNDOING AT A LATER DATE OF ANY REORGANIZATION FEATURES DESIGNED ON AN AD HOC BASIS TO ACCOMMODATE CANADIAN NEEDS.

6. THROUGHOUT THE WHOLE DISCUSSION GILLIATT EMPHASIZED THAT GOC DOES NOT YET HAVE A CLEAR PICTURE OF LIKELY IMPACT USRA PROPOSAL ON CANADIAN INTERESTS. A CRASH PROGRAM CONSEQUENTLY IS BEING DEVELOPED TO ASSESS THIS AND WILL ALSO FOCUS OVER NEXT WEEK ON ASPECTS OF PLAN FOR WHICH CLARIFICATION WILL BE SOUGHT APRIL 23. HE INDICATED TENTATIVE VIEW THAT RAIL TRAFFIC MOST LIKELY TO BE AFFECTED WOULD INVOLVE AUTO INDUSTRY AND THERE WAS FEAR PROBLEMS WOULD DEVELOP RELEVANT TO AUTO PACT. TCO REMINDED GILLIATT THAT IF GOC PROPOSES CHANGES IN USRA APPROACH, THERE MAY BE COSTS INVOLVED AND INQUIRED WHETHER GOC WOULD BE WILLING COVER SUCH COSTS. LEARNED THIS ASPECT HAD NOT BEEN CONSIDERED, BUT WERE ASSURED IT WILL BE EXPLORED ON A PRELIMINARY BASIS PROMPTLY.
PORTER

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